

<p align="center"><b>2003 - 2004</b> <b>ANNUAL REPORT</b></p>
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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

### Neighborhood Security Act Bond Fund

On March 5, 2002, the voters in San José approved Measure O, the “9-1-1, Fire, Police, Paramedic and Neighborhood Security Act” (Neighborhood Security Act Bond Measure). This bond measure authorized the City to issue General Obligation Bonds in an amount not to exceed \$159 million to fund projects in both the Police and Fire Departments.

#### *Neighborhood Security Act Bond Fund*

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 79,086	\$ 660	\$ (78,426)	(99.2%)
<i>Expenditure</i>	43,145	10,925	32,220	74.7%
<i>Fund Balance (est. *)</i>	22,512	28,205	5,693	25.3%

General Obligation Bond proceeds (G.O. Bonds) and interest earnings provide the funding for this fund. The negative revenue variance of \$78.4 million is the result of lower than anticipated bond proceeds (\$78.8 million), partially offset by higher interest earnings (\$324,000) generated from the 2002-2003 bond proceeds. Revenue from G.O. Bonds totaling \$78.8 million was budgeted in 2003-2004. Due to the timing of the bond sale, however, the bond proceeds were actually not recognized until July 2004, after the close of the 2003-2004 fiscal year.

The expenditure savings of \$32.2 million reflect unexpended project funds. A significant portion of project savings (\$14.9 million) were anticipated and included in the 2004-2005 Adopted Capital Budget. Rebudget of estimated savings included the following projects: Fire Station 34 (\$300,000); Fire Station Upgrades (\$4.3 million); Fire Training Center (\$2.9 million); Land Acquisition for new fire stations (\$2.7 million); Fire Station Relocation projects (\$1.1 million); West San José Community Policing Center (\$1.6 million); Driver Safety Training Center (\$200,000); and Public Art funding (\$1.8 million).

Additional net rebudget adjustments of \$5.7 million are included in this document. At the end of 2003-2004, the South San José Police Substation had the largest project savings (\$18.9 million) in this fund. Of this amount, \$7.8 million is recommended for rebudget in this document. The Police Department expects to complete the site selection and land acquisition process in 2004-2005. The remaining \$11.1 million in 2003-2004 project savings was reprogrammed to the out years of the Capital Improvement Program (CIP). In addition, this document includes the recommended rebudget of higher than estimated project savings for Fire Station 34 (\$102,000) and for the Fire Training Center (\$54,000). Other recommendations include downward

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**CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)**

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**Neighborhood Security Bond Fund (Cont'd.)**

adjustments to projects where the year-end expenditures were higher than estimated and include: West San José Community Policing Center (\$837,000); Fire Station 35 (\$375,000); land acquisition for fire stations (\$100,000); Fire Station 12 (\$25,000); Fire Station Relocation projects (\$127,000); and Driver Safety Training Center (\$5,000).

The Budget Office allocation was over-expended at year-end and requires ratification due to the redistribution of these costs during the year-end close process. The reallocation of these costs was designed to more accurately distribute costs. On an overall basis, the expenditures of these two units were actually under budget.

The 2003-2004 ending fund balance is \$5.7 million higher than the estimate used in the development of the 2005-2009 Adopted CIP due entirely to project savings. These savings are recommended to be rebudgeted to provide sufficient funding for projects in 2004-2005. When the 2004-2005 Adopted Capital Budget was prepared for this fund, it was assumed that the G.O. Bonds would be issued in 2004-2005, rather than in 2003-2004. As a result, there was only a minimal revenue variance (-\$40,000) due to lower than estimated interest earnings.